

Message Text

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ACTION AF-08

INFO OCT-01 EUR-12 ISO-00 AGR-05 AID-05 EB-07 COME-00

IGA-02 OMB-01 TRSE-00 CIAE-00 DODE-00 PM-04 H-02

INR-07 L-03 NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15

USIA-06 CU-02 SIL-01 LAB-04 /094 W
----- 122031

R 130842Z JUL 76

FM AMEMBASSY ADDIS ABABA

TO SECSTATE WASHDC 0192

INFO AMEMBASSY MOGADISCIO

AMEMBASSY NAIROBI

AMEMBASSY KHARTOUM

AMEMBASSY LONDON

AMEMBASSY PARIS

AMCONSUL ASMARA

LIMITED OFFICIAL USE ADDIS ABABA 8303

E.O. 11652: N/A

TAGS: EAGR EGEN

SUBJECT: FOOD GRAIN SUPPLIES IN ADDIS FLUCTUATING DANGEROUSLY

REF: ADDIS ABABA 2797

1. (NOTE: FOLLOWING REPORT COVERS ALL CEREAL EXCEPT WHEAT WHICH HAS BEEN TREATED IN SEPTELS.) SUPPLIES OF FOOD GRAINS FLOWING INTO ADDIS ABABA HAVE BEEN FLUCTUATING DRASTICALLY OVER THE PAST TWO WEEKS. ORDINARILY 350-450 TONS ARRIVE IN THE ADDIS MARKET DAILY OF WHICH 180

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220 TONS ARE TEFF, A STABLE CEREAL IN THE URBAN MARKET. TWO WEEKS AGO ARRIVALS IN ADDIS DROPPED SUBSTANTIALY, VARYING BETWEEN 250-300 TONS DAILY UNTIL JULY 10 WHEN SUPPLIES RETURNED TO ROUGHLY NORMAL. TEFF ARRIVALS FROM GOJJAM, A MAJOR TEFF PRODUCING PROVINCE, MOSTLY ACCOUNTED FOR THESE VARIATIONS, FALLING TO A LOW OF 40-50 TONS PER DAY BEFORE RETURNING TO THEIR TRADITIONAL LEVELS.

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2. IN ADDITION TO REASONS CITED IN PREVIOUS REPORTING, NEW PROBLEMS CONTRIBUTING TO THIS SITUATION INCLUDE: (A) ORGANIZATION OF WORKERS IN THE URBAN WHOLESALE MARKETS WHICH RESULTED IN INCREASED HOSTILITY TOWARD GRAIN MERCHANTS AND AN ATTEMPT BY THE WORKERS TO ELIMINATE

THEM FROM THE GRAIN TRADE; (B) CONTINUING POLITICAL UNCERTAINTIES WHICH WERE HEIGHTENED BY THE RECENT ARREST OF THE MINISTERS OF AGRICULTURE AND NATIONAL RESOURCES DEVELOPMENT; (C) PROBABLE REDUCTION IN OUTPUT FROM THE SO-CALL SHORT-RAIN CROPS (WHICH IS MOSTLY BARLEY) OWING TO DISRUPTIONS CAUSED BY ATTEMPTS OF OVER-ZEALOUS ZEMETCHA STUDENTS AND LAND REFORM OFFICIALS TO INTRODUCE COMMUNAL FARMING; AND (D) CONTINUING PRICE INCREASES FOR CONSUMER GOODS WHICH FARMERS HAVE TO BUY. IT IS ALSO LIKELY THAT THE CONSTANTLY RISING PRICES FOR CEREALS IS ENCOURAGING FARMERS TO HOLD IN THE BELIEF THAT PRICES WILL GO EVEN HIGHER. TEFF IS THE MAJOR CEREAL AFFECTED BECAUSE MOST FARMERS GROW IT AS A CHASH CROP RATHER THAN CONSUME IT THEMSELVES. MOREOVER, TEFF STORES EXTREMELY WELL OWING TO ITS RESISTANCE TO VARIOUS KINDS OF PESTS.

3. THE EPMG HAS TAKEN A NUMBER OF STEPS IN AN ATTEMPT TO EASE THE SITUATION. TEAMS HAVE BEEN SENT TO THE COUNTRYSIDE TO TRY TO PERSUADE FARMERS TO SELL PARTLY ON THE GROUNDS THAT HIGHER PRICES SHOULD NOT BE EXPECTED (FYI: IN FACT, OF COURSE, THE GOVERNMENT IS NOT ABLE TO CONTROL PRICES AND THEY MAY VERY WELL CONTINUE TO INCREASE UNTIL THE NEXT HARVEST. END FYI.). THERE HAVE BEEN EDITORIALS

IN LOCAL NEWSPAPERS ENCOURAGING SMALL MERCHANTS TO CARRY OUT THEIR TRADITIONAL FUNCTIONS ON THE GROUNDS THAT THEY, TOO, ARE PART OF THE REVOLUTION AND CONSEQUENTLY RESPONSIBLE FOR MAKING IT A SUCCESS. THE EPMG HAS STRENGTHENED THE PENAL CODE IN AN ATTEMPT TO "PROTECT THE MASSES AND THE ONGOING ETHIOPIAN REVOLUTION AGAINST ECONOMIC SABOTAGE." THE SCOPE OF THIS PROCLAMATION GOES WELL BEYOND TRADING IN CEREALS AND IS A RESPONSE TO THE HIGHLY INFLATIONARY PRICE INCREASES FOR MOST CONSUMER GOODS. FINALLY, THE EPMG HAS INSTRUCTED THE AGRICULTURE MARKETING CORPORATION TO BEGIN TO SELL ITS STOCKS OF CEREALS THROUGH LOCAL COOPERATIVE SHOPS AS WELL AS DIRECTLY. THE AGRICULTURE MARKETING CORPORATION HAS NOT MADE PUBLIC THE SIZE OF THE STOCKS IT HOLDS OF VARIOUS FOOD GRAINS. IT PROBABLY HAS VERY LITTLE TEFF, WHEAT AND BARLEY BUT CONSIDERABLE QUANTITIES OF CORN AND SORGHUM, PERHAPS UP TO 120-140 THOUSAND METRIC TONS.

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4. COMMENT. THE FOOD GRAIN SITUATION IN URBAN AREAS IS EXTREMELY PRECARIOUS ESPECIALLY REGARDING SUPPLIES OF WHEAT AND TEFF. THE POTENTIAL FOR MAJOR POLITICAL DIFFICULTIES ARISING FROM INADEQUATE SUPPLIES OF CEREALS IN HIGH AS THE NEXT HARVEST WILL NOT BEGIN UNTIL LATE NOVEMBER. IT APPEARS THAT THE GOVERNMENT HAS RECOGNIZED THE SERIOUSNESS OF THIS SITUATION AS WELL AS ITS OWN LIMITATIONS IN TRYING

TO DEAL WITH IT. IT HAS NOT, FOR EXAMPLE, ATTEMPTED TO RE-INSTITUTE PRICE CONTROLS. IN FACT, THE AGRICULTURE MARKETING CORPORATION IS REPORTEDLY SELLING ITS STOCKS AT THE GOING MARKET PRICE WHICH IS CONSIDERABLY ABOVE THE PRICE RANGE ESTABLISHED EARLIER BY THE EPMG. THE EFFECT OF THE REVISIONS OF THE PENAL CODE ON PRIVATE DEALERS WILL DEPEND HEAVILY UPON HOW IT IS IMPLEMENTED. IT SEEMS LIKELY THAT

THE GOVERNMENT WILL BE VERY CAUTIOUS IN THIS RESPECT AS WITHOUT THE PARTICIPATION OF PRIVATE MERCHANTS THE MARKETING STUCTURE COULD COLLAPSE. IT ALSO SHOULD BE NOTED THAT MOST OBSERVERS AGREE THAT ADEQUATE FOOD GRAIN SUPPLIES (EXCEPT FOR WHEAT) ARE AVAILABLE IN THE COUNTRYSIDE; THE EPMG'S MAJOR TASK IS TO ENSURE THAT THEY ARE AVAILABLE TO THE URBAN CONSUMER WHICH, GIVEN THE CURRENT POLITICAL SITUATION, SHOULD NOT BE TAKEN FOR GRANTED.

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Message Attributes

Automatic Decaptioning: X
Capture Date: 15 SEP 1999
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
Copy: SINGLE
Draft Date: 13 JUL 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: KelleyW0
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976ADDIS08303
Document Source: ADS
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: n/a
Film Number: D760098-0646
From: ADDIS ABABA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t197607110/baaaeswt.tel
Line Count: 119
Locator: TEXT ON-LINE, TEXT ON MICROFILM
Office: ACTION EA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators:
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: KelleyW0
Review Comment: n/a
Review Content Flags:
Review Date: 21 APR 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <21 APR 2004 by CunninFX>; APPROVED <17 AUG 2004 by KelleyW0>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: FOOD GRAIN SUPPLIES IN ADDIS FLUCTUATING DANGEROUSLY
TAGS: OTRA, CH, ET, (OZETA, DELIA)
To: STATE INFO MOGADISCIO
NAIROBI
KHARTOUM
LONDON
PARIS
ASMARA

Type: TE

Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006